



DEPARTMENT OF THE TREASURY
WASHINGTON

June 8, 2000

The Honorable William Archer
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

It is my understanding that the Committee on Ways and Means will hold a mark-up later today on the "Debt Reduction Reconciliation Act of 2000." We share the objective of paying down the debt held by the public. However, we have grave concerns about the debt-limit provisions contained in this legislation.

It has been this Administration's view that fiscal restraint is best exercised through the tools of the budget process. Existing enforcement tools such as the pay-go rules and the discretionary spending limits in the Budget Enforcement Act have been key elements in maintaining fiscal discipline during the last decade. Debt limits should not be used as an additional means of imposing restraint. Debt is incurred solely to pay expenditures that have previously been authorized by the Congress and for the investment of the Federal trust funds. By the time the debt limit is reached, the Government is obligated to make payments and must have enough money to do so.

If Treasury were prohibited from issuing any new debt to honor the Government's obligations, there could be permanent damage to our credit standing. The debt obligations of the United States are recognized as having the least credit risk of any investment in the world. That credit standing is a precious asset of the American people. Even the appearance of a risk that the United States of America might not meet its obligations because of the absence of necessary debt authority would be likely to impose significant additional costs on American taxpayers.

The Administration is dedicated to eliminating the debt held by the public in the coming years. The Administration looks forward to working with the Congress to continue to keep the country on a path with responsible fiscal policy and fiscal discipline.

Sincerely,

Lawrence H. Summers

Identical letter sent to Rep. Charles Rangel